

## Understanding Your Retirement Benefits: **A Fact Sheet for New California State Employees**

This fact sheet explains the **Alternate Retirement Program (ARP)**, a new program for specified State of California employees hired on or after August 11, 2004.

### **1. What is the Alternate Retirement Program?**

The Alternate Retirement Program, or ARP, is a retirement savings program that certain State employees are automatically enrolled in for their first two years of employment with the State of California.

It's an "alternate" because it provides two years of retirement *savings* in lieu of two years of retirement *service credit* under the California Public Employees' Retirement System (CalPERS). Even though you don't earn retirement service credit with CalPERS during this period, you are still a CalPERS member (see question 8).

The Savings Plus Program (in the Department of Personnel Administration) administers the Alternate Retirement Program.

### **2. Which new employees are in the Alternate Retirement Program?**

You're automatically in ARP if you meet **all** the conditions listed below:

- First hired by the State on or after August 11, 2004;
- Qualify for CalPERS membership in the State Miscellaneous or State Industrial category (ask your Personnel Office if you need this point explained); and
- Meet the definition of "State employee" in Government Code section 19815, which includes but is not limited to all Executive branch employees who are not elected to office.

Your Personnel Office can confirm your ARP eligibility. Coverage in ARP is mandatory; you cannot opt out.

### **3. Which new employees are excluded from the Alternate Retirement Program?**

You're **not** in ARP if you meet any of the following conditions, even if you're hired on or after August 11, 2004:

- Qualify for CalPERS membership in the State Safety, State Patrol, or State Peace Officer/Firefighter category

- Current or prior member of CalPERS
- Member of a CalPERS' reciprocal retirement system within the prior six months
- Member of the Judges' Retirement System, Judges' Retirement System II, Legislators' Retirement System, California State Teachers' Retirement System, or the University of California Retirement Plan
- Employed by California State University
- Employed by the California legislative or judicial branch of government
- Employed as a California Highway Patrol cadet
- Non-resident alien employed on an F-1, J-1, M-1, or Q-1 visa and not coordinated with Social Security

#### **4. How does the Alternate Retirement Program work?**

During the two years of State employment when you're covered by ARP, roughly five percent of your paycheck is deducted each month (pre-tax) and deposited in an ARP account for you. (The exact amount of the paycheck deduction is five percent of your monthly gross compensation in excess of \$513.)

The ARP account is automatically set up for you as a 401(a) Plan, a type of retirement savings account governed by federal IRS rules. The Savings Plus Program invests your ARP funds in a fixed-income fund. At this time, Savings Plus has chosen the Dwight Asset Management Stable Value Fund for this purpose.

At the end of this two-year period, your paycheck deductions stop going to ARP and begin going to CalPERS instead. At this time, you start to earn retirement service credit with CalPERS.

#### **5. What happens to the money in my Alternate Retirement Program account?**

The money in your ARP account, including any interest it earns, remains in that account until it's closed, about four years after you first qualified for CalPERS membership and were enrolled in ARP.

There are three options, described below, for what happens to the funds in your account. You will have a three-month period to submit the required form to ARP indicating which option you've selected. This three-month period:

- **begins** on the first day of the 47<sup>th</sup> month after you first qualified for CalPERS membership (typically the day you were hired); and

- **ends** on the last day of the 49<sup>th</sup> month after you first qualified for CalPERS membership.
- This schedule applies to all ARP participants, regardless of employment status.

Here are your options:

- **Option 1:** Transfer all funds in your ARP account to CalPERS to buy retirement service credit for the time you were enrolled in ARP.\* The State would fund the portion of the liability not paid for by your ARP account.
- **Option 2:** Receive a lump-sum distribution of all funds in your ARP account, which may subject you to tax penalties for early withdrawal.
- **Option 3:** Transfer all funds in your ARP account to a 401(k) account with the Savings Plus Program (SPP). If you already have an SPP 401(k) account, your funds will go here; if not, SPP will set up a 401(k) account for you. **This option requires no action on your part; it happens automatically if you don't submit a form to ARP during the three-month period described above.**

\* If you opt not to purchase the service credit during this three-month period, you remain eligible to purchase it in the future. However, purchasing it after the three-month period has elapsed means you will be responsible for funding the total cost of the service credit (i.e., both the employee and the employer share of costs).

## **6. Will I receive anything in the mail if I'm in the Alternate Retirement Program?**

Yes. You will receive annual ARP statements, mailed in August, and two notification letters, mailed prior to closure of your ARP account.

- The annual statements show your total account balance, which consists of the amount you contributed via payroll deductions plus any interest it's earned.
- The notification letters advise you of your options before Savings Plus closes your ARP account (described in the preceding question).

It's important that Savings Plus has your current mailing address on record to ensure these mailings reach you. If your address changes and you're still contributing to ARP, notify your departmental personnel or payroll office of the new address. If you're no longer contributing to ARP or are no longer employed with the State, provide the new address directly to Savings Plus.

## **7. Are there employer contributions to my ARP account or any fees involved?**

There are no employer contributions or matching funds; your account consists entirely of money you've contributed via monthly payroll deductions and any interest earnings.

There are no fees assessed to you or your ARP account. Instead, the employer pays an administrative fee for each employee contributing to ARP.

**8. Does the Alternate Retirement Program affect my eligibility for other benefits?**

No. You're eligible for all other benefits even while you're covered by ARP. For example, even though you're not earning retirement service credit with CalPERS during your first two years of State employment (because you're enrolled in ARP instead), you still are a member of CalPERS, with all the other benefits that such membership entails, including health insurance. Please contact your Personnel Office if you want to know more about these benefits.

Also, being in ARP does **not** limit your ability to set up and contribute to a Savings Plus 401(k) and/or 457 plan, a 403(b) plan, or an IRA.

Your Personnel Office can give you more details about all your benefits.

**9. What happens to my ARP funds if I die before the account is closed?**

If you die, your ARP assets will be paid in a lump sum to your closest surviving family member in the following order: (1) your spouse or registered domestic partner, (2) natural and adopted children, (3) parents, (4) brothers and sisters, (5) probate estate, (6) your trust, if one exists, (7) stepchildren, (8) grandchildren, (9) nieces and nephews, (10) great-grandchildren, (11) cousins, or (12) in accordance with State law.

*This fact sheet provides an overview of the Alternate Retirement Program. The official plan documents and State law control the actual benefits provided to you, so please check with your Personnel Office if you have questions about these benefits. The State reserves the right to amend, suspend, or terminate ARP, although such changes will not affect amounts deposited under ARP.*